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C O N F I D E N T I A L SECTION 01 OF 04 BEIJING 009041

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NSC FOR WILDER

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TAGS: PREL PINS MOPS CH TN KN JP

SUBJECT: PACOM ADMIRAL FALON'S DISCUSSION WITH CENTRAL
MILITARY COMMISSION VICE CHAIRMAN AND DEFENSE MININSTER
GENERAL CAO GUANGCHUAN

Classified By: Political Minister Counselor Daniel
Shields. Reasons 1.4 (a/b/d).

Summary

¶11. (C) During an extended discussion, Central
Military Commission Vice Chairman and Defense Minister
General Cao Gangchuan told PACOM Commander Admiral
Fallon that the PLA sought more military exchanges
with the United States; discussed the PLA's strategy
and budget priorities; and repeated familiar calls for
the United States to curtail its military-to-military
engagement with Taiwan. Admiral Fallon made clear he
was prepared to move forward on military ties,
provided the PLA reciprocated with concrete steps to
increase transparency and broaden the quality and
content of exchanges. He invited the PLA to send
representatives to observe a U.S. joint exercise
(Valiant Shield) in the Pacific this summer, and urged
Cao to accept a long-standing invitation for the PLA
Chief of the General Staff to attend the Chiefs of
Defense Conference to be held in Kuala Lumpur this
November. Cao appeared interested in the offer to
observe Valiant Shield and tasked his staff to examine
the invitation. Admiral Fallon provided Cao with a
courtesy notification of the imminent release of the
annual Congressionally-mandated report to Congress on
PRC military capabilities and previewed its key
elements. End Summary.

Got to Make the Evening News

¶12. (C) Visiting Commander of U.S. Pacific Command
(PACOM), Admiral William Fallon, met May 10 with
Central Military Commission Vice Chairman and Defense
Minister General Cao Gangchuan at the PLA Headquarters
in Beijing. After welcoming Admiral Fallon to Beijing
and emphasizing the importance of his visit, CMC Vice
Chairman Cao Gangchuan noted that the opening portion
of the meeting was being recorded by journalists for
that evening's news and asked Admiral Fallon to share
his thoughts on U.S.-China military-to-military
relations. The cordial and wide-ranging discussion
ran 40 minutes over its scheduled time period.

Invitation to Exercises

13. (C) Reiterating Defense Secretary Rumsfeld's statements that the United States welcomes the emergence of a peaceful and prosperous China on the world scene, Admiral Fallon stressed the benefits of bilateral cooperation while emphasizing the value of better mutual understanding between our militaries. Admiral Fallon welcomed the PLA to observe a U.S. joint military exercise (Valiant Shield) planned for this summer in the Pacific. Cao queried whether the exercise would be conducted with other countries. Admiral Fallon replied that the June exercise would only involve U.S. forces and that other Asia-Pacific nations would also be invited to observe. He stressed that his intention was to demonstrate U.S. Pacific Command's interest in being open and transparent regarding the purpose and conduct of its exercises. Cao said he would consider the proposal and tasked PLA Deputy Chief of General Staff Ge Zhenfeng to discuss the details of the offer with the U.S. Embassy.

Importance of Military Exchanges

14. (C) The United States and China enjoy stable state-to-state relations and, as a result of the policy direction from President Bush and President Hu, bilateral military-to-military relations have developed considerably, Cao stated. After reviewing the exchanges between the two sides since Secretary Rumsfeld's visit, Cao said he was impressed by the number of exchanges in such a short period of time and welcomed CJCS General Pace's visit to China later this year.

15. (C) China has a positive attitude toward

BEIJING 00009041 002 OF 004

developing exchanges with the U.S. military on the strategic and personal level, according to Cao. Echoing Admiral Fallon's remarks, he highlighted the importance of mid-level officer exchanges. He urged expanding such mid-level exchanges to increase mutual understanding between younger officers, particularly because one day they will command our respective militaries. Problems between our two militaries are natural in light of different backgrounds, history and levels of development. However, Cao continued, such issues can be resolved through better understanding and contact.

Chiefs of Defense Conference

16. (C) Admiral Fallon expressed his disappointment that the PLA had chosen not to attend previous Chiefs of Defense Conferences, hosted by Pacific Command on behalf of the Chairman of the Joint Chiefs of Staff. He extended his personal invitation to Chief of the General Staff Liang Guanglie to attend this year's conference to be held in Kuala Lumpur and co-hosted by Malaysia. Noting that this will be the ninth year of the conference, Admiral Fallon commented that many countries are eager to have China attend. PRC participation at this conference would be a positive sign for other nations in the region, Admiral Fallon stated. Cao agreed only to "remember" the invitation.

Defense Department Report to Congress on State of the PLA

17. (C) Admiral Fallon informed Cao that he wished to provide him with a courtesy notification that in late-May, DOD will issue the Congressionally-mandated annual report on China's future military capabilities. Based on the best available public information, the

report attempts to be factual and straightforward, Admiral Fallon stated. The report, the Admiral stressed, is the product of a coordinated interagency review. Cao expressed hope the report will objectively reflect the situation of both the U.S. and PLA military forces and will help rather than impede the military relationship.

Taiwan: "Nothing Else Matters More"

¶ 8. (C) Cao then launched into a discussion of Taiwan, characterizing Taiwan as the biggest issue between the United States and China. "Nothing else matters more," Cao stated, adding that Taiwan is a "vital" PRC interest and Beijing's policy is very firm. Beijing "will defend reunification with Taiwan and the territorial integrity and sovereignty of China." Cao offered the "one country, two systems" formulation as the basis for reunification because "after all both sides of the Strait are populated by Chinese people who have no wish to meet on the battlefield." Cao accused Chen Shui-bian of continuing his "risky" pursuit of independence despite Mainland efforts last year to ease tension in the Strait. Admiral Fallon responded that the United States shares the goal of "no conflict" across the Strait. He suggested to Cao that it is of importance not only to the region but to the world for the leadership and people on both sides of the Strait to come to agreement on how best to pursue a peaceful resolution of their conflict.

¶ 9. (C) Cao agreed that both the PRC and the U.S. sought "peace and stability" in the Strait. At the same time, Cao said, China expected the U.S. to do more to "restrain" Chen Shui-bian and "not send incorrect signals" to Taiwan. The overwhelming support for passage of the Anti-Secession Law is a clear demonstration of the Chinese people's aspirations, said Cao. He went on to suggest there are two things the U.S. could do to ensure stability in the Taiwan Strait. First, the United States should stop all official contact with Taiwan, especially military contacts. Second, the United States should stop all advanced arms sales to Taiwan. Arguing that the "Chen Shui-bian authorities" are "encouraged" by

BEIJING 00009041 003 OF 004

the frequent engagement with senior U.S. military officers and by U.S. arms sales, Cao claimed these two steps would be more effective than "rhetoric" aimed at Taiwan. Admiral Fallon emphasized that both U.S. law and policy require the United States to provide for Taiwan's ability to defend itself against military attacks. The U.S., he continued, is taking a prudent course in this regard.

Defense Authorization Act

¶ 10. (C) Admiral Fallon informed Cao that several members of Congress have asked him for his views on the current legislative restrictions on military engagement with China in the Defense Authorization Act. The Admiral said that he has not yet provided his recommendations to Congress. He urged Cao to take concrete steps to demonstrate the PLA's intent to increase transparency regarding military intentions and capabilities. Such steps would be duly noted by the Administration and Congress.

¶ 11. (C) Cao replied that he discussed this issue with Secretary Rumsfeld, but the problem is not on the

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Chinese side. The PRC welcomes exchanges, though the

Defense Authorization Act prohibits the U.S. military from engaging the PLA in twelve areas. For example, the PLA has invited U.S. logistics officers to visit Chinese logistics officers but this is prohibited under the Act. Cao stated his hope that Admiral Fallon can persuade Congress to rescind the China-related elements of the Defense Authorization Act. In the 1980's the United States and China had robust military exchanges, Cao stated.

China Threat Proponents Comparing Apples to Oranges

¶12. (C) Returning to the annual report, Cao stated that many China-watchers are discussing a "China Threat" theory, but these people only have a superficial understanding of the Chinese military. The PLA's only objective is to maintain China's stability and sovereignty and China will not send troops overseas except to participate in multilateral peacekeeping operations, Cao said. In the 1980s and 1990s China was solely focused on its economic growth and the Government told the military to be patient. Now the PLA's budget is growing but the double digit increases need to be put into perspective, Cao argued, saying "if the PLA's budget started at only one dollar and then doubled, you still have only two dollars." China has a defense budget of 35 billion USD but has a force of 2.3 million men. Cao called attention to the limited amount of funds available on a per-person basis, which limits the development of the PLA. Admiral Fallon responded that while China may spend much less per soldier, the real problem is that China's goals and priorities are unclear. Admiral Fallon asked Cao why the PLA spends a large portion of its budget on building strategic systems if its goal is to increase the capabilities of its soldiers.

¶13. (C) Comparing China's defense budget with Japan's, Cao noted that despite its comparatively small population, military and land mass, Japan still has a defense budget that is 33 percent higher than China's. Admiral Fallon responded that much of Japan's defense budget is used to offset the cost to the U.S. of maintaining its forces in Japan. The U.S. provides for the defense of Japan so it does not have to build and maintain a military capability beyond what is required for self-defense. Admiral Fallon pointed out that this is Japan's only security arrangement and it has been in place for the past 50 years. The world does not want to see a repeat of what happened in the 1930's and 40's. The Admiral also pointed out the United States has over the years reduced its military presence in Japan as well as Korea and will continue to do so.

PLA Soldiers to Receive Significant Pay Raise

BEIJING 00009041 004 OF 004

¶14. (C) Seizing on the Admiral's point concerning the PLA's apparent priority on strategic systems at the expense of personnel, Cao said the PLA is, in fact, reforming its pay system and later this year will announce a 13 percent or higher pay raise for its troops, according to Cao. Cao stated that this pay raise has not been made public yet. The PLA has determined that it must improve the wages of its troops if it wants to retain talented people and this is where the lion's share of the defense budget is being spent. Cao said that foreign speculation on China's investment in strategic systems is exaggerated. He pointed out that the PLA recently downsized by 200,000 troops and noted that a large part of the PLA budget is assisting the transition of

these officers into civilian life and providing for their retirement. Cao said this process is very expensive and not covered by a civilian social security system. Admiral Fallon responded that these types of details are what the two militaries need to discuss and share in order to build better confidence and understanding. He stated that at the end of the Cold War, the United States military went through a similar downsizing and understands that troop drawdowns can be expensive.

Comment

¶15. (C) Cao was very effusive and willing to joke with Admiral Fallon and his delegation, asking all to participate in a group photo. Admiral Fallon broke the ice by asking General Cao what he preferred being called: General or Mr. Minister. Cao demurred saying he was comfortable with either. To Cao's obvious delight, Admiral Fallon responded "Well, okay Mr. Minister General." During substantive discussion, Cao consulted frequently with General Ge Zhenfeng for clarification on particular points or names. Cao referred to General Ge as the "executive" Deputy Chief of Staff and told Admiral Fallon that Ge is very capable and his opinions are well-respected within the PLA and the civilian leadership. Cao stated he would defer the decision on sending PLA representatives to observe the U.S. military exercises to General Ge, saying "if General Ge agrees that the PLA should send observers, then I'll endorse it when it comes across my desk." At the end of the meeting, Cao said he hoped Admiral Fallon would return to China soon because Cao wanted another chance to exchange ideas with the Admiral before Cao retired. End Comment.

Participants

¶16. (U) U.S. Participants:

Admiral William J. Fallon, Commander, United States Pacific Command
Ambassador Clark T. Randt, Jr.
Rovic Huso, Political Advisor, Department of State, United States Pacific Command
Brig. Gen. Ralph Jodice, Defense Attaché
COL Bob Brown, Executive Assistant, United States Pacific Command
Lt Col Sesh Munipalli, Special Assistant to the Commander, United States Pacific Command
CAPT Kevin Ketchmark, Naval Attaché
MAJ Roger Cavazos, China desk officer, United States Pacific Command
Embassy Poloff, Notetaker

¶17. (U) PRC Participants:

Cao Gangchuan, Vice Chairman of the Central Military Commission and Minister of Defense
General Ge Zhenfeng, Deputy Chief of the General Staff
Senior Colonel Li Ji
MGEN Qian Lihua
LTC Dong Xilin
COL Huang Xueping
CAPT Cheng Kai

¶18. (U) Admiral Fallon has cleared this message.
RANDT